

Message Text

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ACTION SS-30

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 1881

INFO AMEMBASSY TOKYO

S E C R E T JAKARTA 4812

EXDIS

E.O. 11652: GDS

TAGS: ENRG, JA, ID

SUBJ: INDONESIAN LNG

REF: TOKYO 5226

1. IF DEPARTMENT FEELS USG PARTICIPATION IN PACIFIC
LIGHTING APPROACH TO GOJ AS RECOMMENDED IN REFTEL
WILL SERVE TO DISPEL JAPANESE NOTION OF USG
INDIFFERENCE RE JAPANESE ENERGY POLICY, WE WOULD NOT
OPPOSE SUCH PARTICIPATION.

2. WE WOULD, HOWEVER, ASK DEPARTMENT'S AUTHORIZATION
TO INFORM INDONESIANS OF ACTION TO BE TAKEN BY
EMBASSY TOKYO, PREFERABLY IN ADVANCE, AND OF REASONS
BEHIND IT. THIS WOULD REDUCE RISK OF NEGATIVE INDONESIAN
REACTION IN EVENT THEY HEAR OF APPRACH FIRST FROM JAPANESE
SOURCES. INFORMING INDONESIANS WOULD ALSO SERVE TO
LET THEM KNOW OF OUR CONCERN OVER RESULTS OF THIS CONTRACT
NEGOTIATION.

3. IN FAIRNESS TO JAPANESE, IT IS NOT CLEAR TO US
THAT GOJ IS WHOLLY RESPONSIBLE FOR HIGH LNG PRICES.
FROM JAKARTA VANTAGE POINT, IT APPEARS THAT JAPANESE
WERE CAUGHT IN DILEMMA LAST DECEMBER AND HAD LITTLE
CHOICE BUT TO ACCEPT HIGHER BASE PRICE AND OIL/GAS
LINK OR RISK LOSING ACCESS TO INDONESIAN LNG AND,

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PERHAPS, FUTURE OIL DELIVERIES. WHETHER JAPANESE

WERE ATTEMPTING TO "OUTBID" PL IS ALSO UNCLEAR.
ALTHOUGH JAPANESE MAY HAVE HOPES OF RECEIVING ADDITIONAL
LNG IF PL DEAL FALLS THROUGH, OUR IMPRESSION IS THAT
GOI/PERTAMINA HAVE GIVEN CONSISTENT SIGNALS OF INTENT
TO SELL PART OF LNG TO U.S. AND THAT JAPANESE AWARE
OF THIS. IT WOULD APPEAR TO US THAT THIS IS CASE
WHERE INDONESIANS PLAYED CARDS SKILLFULLY TO MAXIMIZE
RETURN ON RESOURCES.

4. LEHMAN BROS, REP NOW IN JAKARTA INFORMED EMBOFF
APRIL 21, ON BASIS PREVIOUS DISCUSSIONS WITH PERTAMINA
OFFICIAL TIRTO UTOMO (WHO HAS JUST RETURNED TO JAKARTA
FROM TALKS WITH PACIFIC LIGHTING IN LOS ANGELES), THAT:

 A. IBNU SUTOWO CONTINUES TO BELIEVE PERTAMINA
 CANNOT ACCEPT MORE THAN THIRTY CENTS DIFFERENCE (PER
 MILLION BTU) BETWEEN JAPANESE AND PACIFIC LIGHTING
 PRICES;
 B) SINCE \$1,839 F.O. B. (PER MILLION BTU) IS PRICE
 TO JAPANESE , PACIFIC LIGHTING'S MOST RECENT OFFER OF
 \$1.20 (PER MILLION BTU) IS STILL ABOUT THIRTY CENTS
 SHORT;
 C) WHILE IBNU REGRETS THE POSSIBLE COLLAPSE OF
 DEAL WITH PACIFIC LIGHTING, HE IS NOT PREPARED TO
 RECOMMEND THAT PRESIDENT SUHARTO AUTHORIZE MORE THAN
 THIRTY CENTS DIFFERENCE EVEN IF CONFIDENT HE (IBNU)
 COULD WITHSTAND INEVITABLE DOMESTIC CRITICIS. (NOTE:
 WE UNDERSTAND THAT, DEPENDING ON OTHER TERMS IN CONTRACT
 AND FUTURE PRICE OIL, THIRTY CENTS DIFFERENCE COULD AMOUNT
 TO \$2-4 BILLION OVER 20-YEAR CONTRACT PERIOD.)
 D) IF PACIFIC LIGHTING DEAL FALLS THROUGH, IBNU
 WILL PROBABLY DECIDE--RATHER THAN SEEKING ANY ALTERNATE
 CUSTOMER FOR LNG--THAT PERTAMINA WILL USE GAS FOR MAJOR
 PETROCHEMICAL COMPLEX (\$600 TO \$800 MILLION) IN ACEH.
 TIRTO ADDED (THOUGH WE ARE NOT YET IN POSITION TO JUDGE
 HOW RELIABLE OR FIRM THIS IS) THAT IBNU WILL PROBABLY
 GIVE DOW CHEMICAL GO AHEAD FOR THIS PETROCHEMICAL
 COMPLEX--IN PART, ACCORDING TO TIRTO, TO SIGNAL
 IBNU'S AND PERTAMINA'S GOOD INTENTIONS TOWARD THE U.S.
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